

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3972-01  
Bill No.: HB 1359  
Subject: Insurance - Medical; Revenue Department; Taxation and Revenue.  
Type: Original  
Date: January 23, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
General Revenue	(\$2,736,000)	(\$2,736,000)	(\$2,736,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$2,736,000)</b>	<b>(\$2,736,000)</b>	<b>(\$2,736,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### ASSUMPTION

Officials from the **Department of Revenue** and the **Department of Health and Senior Services** each assume the bill will not fiscally impact their respective agencies.

In response to a similar proposal from this year (HB 1145), officials from the **Department of Insurance** assumed the bill will not fiscally impact their agency.

The **Department of Social Services (DOS)** states there is no fiscal impact to their agency. DOS states allowing a tax deduction for premium payments for long-term care insurance may encourage more people to purchase such insurance. However, DOS does not believe there would be any substantial savings to the Medicaid program. Purchasing and retaining long term care coverage until it is needed is not widespread in the general populace. There are no conclusive studies linking tax deductions to Medicaid savings.

In response to a similar proposal from this year (HB 1145), officials from the **Office of Administration - Budget and Planning** stated according to the Tax Expenditure Report dated January 2005 published by the University of Missouri, \$2.4 million will be lost for this provision in calendar year 2006. Therefore, this proposal will negatively impact general revenue and total state revenues by \$2.4 million in Fiscal Years 2007 and beyond.

ASSUMPTION (continued)

According to the Department of Revenue's Tax Credit Analysis for the Long Term Care Tax Credit (Deduction), \$60.8 million in deductions were claimed in Fiscal Year 2005. Couple this with a 4.5% marginal tax rate, and General Revenue was reduced by \$2,736,000 from the 50% deduction. Therefore, **Oversight** assumes an additional \$2,736,000 in lost revenue to the General Revenue Fund if the deduction is increased from 50% to 100%. Since the new deduction rate would be effective for tax years beginning on or after January 1, 2006, Oversight assumes a full year's worth of deductions in FY 2007.

**Oversight** acknowledges that an increase in long-term care insurance policy expenditures on the part of Missouri taxpayers could create Medicaid long-term care savings. However, any substantial Medicaid savings are likely to be beyond the date scope of this fiscal note.

**This legislation would reduce Total State Revenue.**

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
<b>GENERAL REVENUE FUND</b>			
<u>Loss – Decreased Income Tax Receipts from increasing the long-term care insurance premium deduction from 50% to 100%</u>	<u>(\$2,736,000)</u>	<u>(\$2,736,000)</u>	<u>(\$2,736,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$2,736,000)</u></b>	<b><u>(\$2,736,000)</u></b>	<b><u>(\$2,736,000)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal increases the income tax deduction from 50% to 100% for non-reimbursed, long-term care insurance premiums for taxable years beginning after January 1, 2006, if the amounts are not included in the taxpayer's itemized deductions.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration - Budget and Planning  
Department of Social Services  
Department of Health and Senior Services  
Department of Insurance



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Director  
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